

FDIC State Profile

Winter 2004

Delaware

The Delaware economy remained healthy; statewide employment growth ranked 15th out of 50 states.

- Delaware's economy should continue to perform well in 2005. Gains in construction and the service sectors have offset continued declines in manufacturing jobs.
- Wilmington** accounts for two thirds of Delaware's jobs, and at 2.1 percent, outpaced the state and national job growth in third quarter 2004 (See Chart 1). A higher share of service sector jobs, such as legal, accounting and administrative jobs, has helped the area.
- Delaware's downstate counties (**Sussex** and **Kent**) have benefited from an expanding health services sector, which serves the area's growing retirement-age population.

Delaware's reliance on oil has declined, but remains slightly higher than the nation.

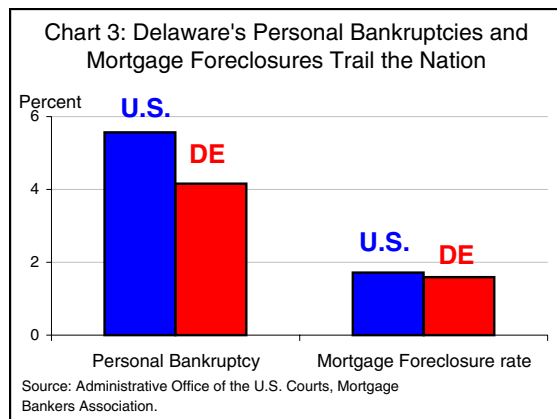
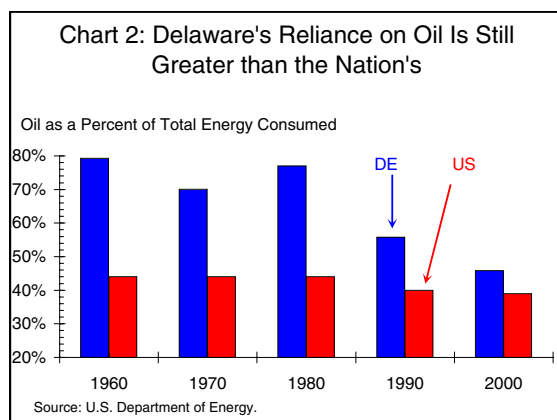
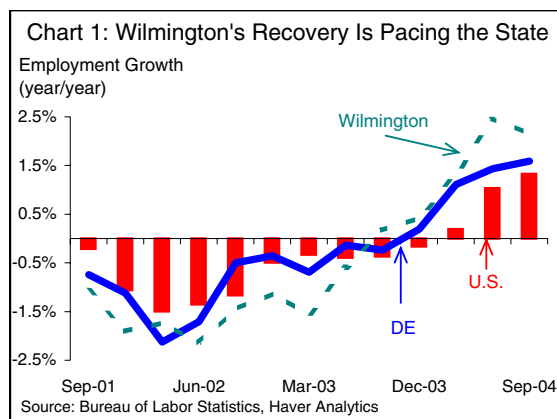
- Delaware has significantly reduced its reliance on oil during the past few decades, but continues to rely on petroleum for 46 percent of its energy needs compared with 40 percent for the nation (See Chart 2). A reduced manufacturing presence in the state has contributed to lowering Delaware's oil dependency. However, the state still hosts petroleum-intensive industries, such as chemicals and motor vehicle production, and higher energy prices could constrain profitability of these industries.

Delaware's consumers faring better relative to the nation.

- Trends suggest that Delaware consumers are in better shape than the U.S. average (See Chart 3). Prior to 2002, the mortgage foreclosure rate was higher than the nation but is now lower than the U.S. average. Delaware's personal bankruptcy rate has been at least 100 basis points lower than the national rate for more than 10 years.

In-migrating retirees contribute to downstate growth.

- A significant number of out-of-state retirees moved to Kent and Sussex Counties during the past few years (See Chart 4). Attracted by the lifestyle, mild shore climate and affordable housing relative to larger East Coast cities, many retirees from neighboring Mid-Atlantic States and



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the District of Columbia are moving to downstate Delaware.

- The influx of residents has increased the need for municipal services including local roads, wastewater treatment facilities, schools and hospitals. These imbalances may have implications for local municipal budgets.

Delaware's community banks reported strong growth in mortgage and home equity loans.

- Mortgage-related loans at Delaware's community institutions experienced robust levels of growth during the past 12-months.¹ After declining in the 2003 period, 1-to-4 family obligations increased 17 percent year-over-year through September 30, 2004.
- Credit quality trends remained favorable as Delaware's median past-due rate on 1-to-4 on residential loans was one half the national rate.
- Home equity loan (HEL) growth among the state's community banks also surged during the year, increasing 46 percent from a year earlier to 3 percent of assets (up from 2.5 percent at September 30, 2003).
- While signs of deteriorating loan performance have not yet emerged, should interest rates continue to rise, additional stress may be placed on some consumers, particularly those with higher levels of variable rate debt.

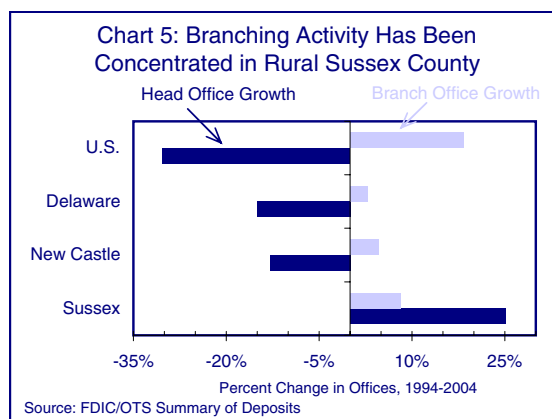
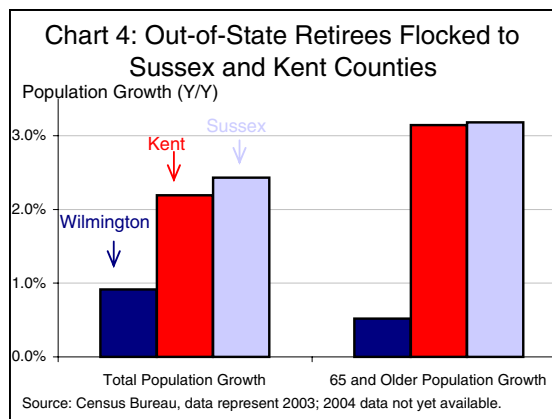
Delaware's community banks experienced net interest margin compression.

- At September 30, 2004, return on assets reported by Delaware's community institutions increased 19 basis points to 1 percent. The net interest margin reported by the state's community banks slightly declined to 3.8 percent, down 10 basis points from a year earlier.
- A majority of the state's community banks experienced margin compression in the quarter, reflecting rising short-term rates as increased cost of funds offset higher asset yields.

Branching growth in Delaware during the past decade has lagged the national average.

- The percentage growth in branches in Delaware has lagged the nation, and the decline in head offices in Delaware has been less precipitous than the nation during the past ten years (See Chart 5). New Castle County, which includes Wilmington and is by far the state's largest banking market, has experienced some positive branching

activity during the decade. Strong population growth may be contributing to increased need for local bank services in Sussex County. While head offices in Sussex increased from 4 to 5 between 1994 and 2004, the number of branches increased from 49 to 53.



¹Community institutions have assets less than \$1 billion and exclude credit card and banks less than 3 years old.

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Delaware at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	35	34	37	41	39
Total Assets (in thousands)	399,605,825	213,032,100	186,088,381	176,981,963	150,173,205
New Institutions (# < 3 years)	3	4	7	8	8
New Institutions (# < 9 years)	12	11	13	14	13
Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	10.13	9.50	10.94	12.65	12.17
Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	1.02%	1.41%	1.94%	1.91%	1.47%
Past-Due and Nonaccrual >= 5%	1	3	5	5	5
ALLL/Total Loans (median %)	1.33%	1.46%	1.43%	1.26%	1.20%
ALLL/Noncurrent Loans (median multiple)	2.95	2.36	2.08	1.92	2.16
Net Loan Losses/Loans (aggregate)	1.84%	3.34%	3.80%	2.96%	2.58%
Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	2	1	2	9	11
Percent Unprofitable	5.71%	2.94%	5.41%	21.95%	28.21%
Return on Assets (median %)	1.40	2.08	1.91	1.24	1.18
25th Percentile	0.93	0.73	0.42	0.24	-0.02
Net Interest Margin (median %)	3.79%	3.93%	4.13%	3.94%	4.52%
Yield on Earning Assets (median)	4.98%	5.73%	6.21%	7.38%	8.25%
Cost of Funding Earning Assets (median)	1.12%	1.63%	2.36%	3.74%	3.98%
Provisions to Avg. Assets (median)	0.14%	0.21%	0.16%	0.25%	0.24%
Noninterest Income to Avg. Assets (median)	1.42%	2.10%	1.75%	1.27%	1.03%
Overhead to Avg. Assets (median)	3.16%	3.53%	3.54%	3.84%	4.14%
Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	89.91%	83.22%	81.75%	78.04%	82.69%
Loans to Assets (median %)	65.41%	63.20%	59.97%	57.41%	60.67%
Brokered Deposits (# of Institutions)	21	18	19	19	19
Bro. Deps./Assets (median for above inst.)	5.14%	6.74%	8.38%	7.95%	4.91%
Noncore Funding to Assets (median)	32.12%	39.80%	31.50%	22.47%	23.87%
Core Funding to Assets (median)	34.63%	32.79%	36.42%	42.44%	36.67%
Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	18	18	15	16	16
National	10	9	14	17	16
State Member	0	0	1	1	1
S&L	0	0	0	0	0
Savings Bank	6	6	6	6	5
Stock and Mutual SB	1	1	1	1	1
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
Wilmington-Newark DE-MD PMSA	28	377,970,011	80.00%	94.59%	
No MSA	5	21,345,969	14.29%	5.34%	
Dover DE	2	289,845	5.71%	0.07%	